

May 17, 2013

Daryl G. Purpera, CPA, CFE
Legislative Auditor
Capitol Station
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RECEIVED
LEGISLATIVE AUDITOR
2013 MAY 20 AM 9:08

Dear Mr. Purpera:

We are enclosing one unbound copy of the audit report for the Lake Pontchartrain Basin Foundation for the year ended December 31, 2012, and our report on compliance and internal control over financial reporting. We have also enclosed one copy of the Data Collection Form.

Yours very truly,



Laurence Holmes
For the Firm.

LH\df

Enclosures

Engagement\46637.0\2012\Audit\0610.101

Financial Report

*Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment*

December 31, 2012



TABLE OF CONTENTS

Lake Pontchartrain Basin Foundation and Save Our Lake Endowment

December 31, 2012

	<u>Page Number</u>
Financial Section	
Independent Auditor's Report	1 - 3
Exhibits	
A - Consolidated Statement of Financial Position	4
B - Consolidated Statement of Activities	5 - 6
C - Consolidated Statement of Functional Expenses	7
D - Consolidated Statement of Cash Flows	8
E - Notes to Consolidated Financial Statements	9 - 24
Supplementary Information	
Schedule	
1 - Consolidating Statement of Financial Position	25
2 - Consolidating Statement of Activities	26 - 27
3 - Schedule of Revenues, Support, and Expenses - Actual to Budget	27 - 29
Special Reports of Certified Public Accountants	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30 - 31
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	32 - 34
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37 - 38
Reports By Management	
Schedule of Prior Year Findings and Questioned Costs	39
Management's Corrective Action Plan	40

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment,
New Orleans, Louisiana.

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Lake Pontchartrain Basin Foundation and Save Our Lake Endowment (the "Organization") as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The supplementary information on pages 25 through 29 is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated May 8, 2013 on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the Organization as of and for the year ended December 31, 2012, and have issued our report thereon dated May 8, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures federal awards is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
May 8, 2013.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

December 31, 2012

Assets

Cash and cash equivalents	\$ 269,191
Cash restricted for program expenditures	512,200
Investments	470,653
Grant receivables	232,883
Pledge receivables	272,325
Prepaid expenses	10,492
Property and equipment, net of accumulated depreciation	<u>1,042,427</u>
Total assets	<u><u>\$ 2,810,171</u></u>

Liabilities

Accounts payable and other liabilities	<u>\$ 286,399</u>
--	-------------------

Net Assets

Unrestricted	1,618,301
Temporarily restricted	808,261
Permanently restricted	<u>97,210</u>
Total net assets	<u>2,523,772</u>
Total liabilities and net assets	<u><u>\$ 2,810,171</u></u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Contracts - Federal:				
Department of Environmental Quality	\$ 95,435	\$ 3,384		\$ 98,819
Department of Health and Hospitals	7,336			7,336
Contracts - Local Government:				
Sewerage and Water Board of New Orleans	2,026	10,894		12,920
Grants - Federal:				
Environmental Protection Agency:				
Department of Environmental Quality	160,112			160,112
Gulf of Mexico	90,965			90,965
Lake Pontchartrain Basin Restoration Program	585,594			585,594
Grants - Non-Federal:				
Mandeville Wetlands	1,777	15,915		17,692
Grants - Coastal:				
Environmental Defense Fund	45,437	79,563		125,000
Kresge	57,865	17,135		75,000
McKnight	49,564	60,436		110,000
Merck	-	8,000		8,000
National Audubon Society	34,876	39,324		74,200
Surdna Foundation	4,981	28,769		33,750
Other	2,921	276		3,197
Fundraising:				
Donations	72,754			72,754
Lighthouse income	170,485	358,154		528,639
Membership sales	21,174			21,174
Special events	267,236			267,236
Other Income:				
Investment income	43,396	49		43,445
Miscellaneous income	712			712
Recreation maps/Artificial Reef Program	1,414	6,491		7,905
 Total support and revenues before donated services and property	 1,716,060	 628,390	 -	 2,344,450
 Donated Lighthouse property	 44,398			 44,398
Donated services - promotion / advertising	311,252			311,252
Donated services - IT / rent	42,001			42,001
Donated services - professional services	4,562			4,562
Donated services - laboratory fees	71,531	-	-	71,531
 Total donated services and property	 473,744	 -	 -	 473,744
 Total support and revenues	 2,189,804	 628,390	 -	 2,818,194

**Exhibit B
(Continued)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets released from restrictions:				
Expiration of time restrictions and program restrictions satisfied through payments	<u>717,953</u>	<u>(717,953)</u>	<u>-</u>	<u>-</u>
 Total revenues, support and net assets released from restrictions	<u>2,907,757</u>	<u>(89,563)</u>	<u>-</u>	<u>2,818,194</u>
Expenses				
Program services:				
Outreach / education	303,422			303,422
Scientific / research / habitat	<u>1,134,505</u>			<u>1,134,505</u>
 Total program services	<u>1,437,927</u>	<u>-</u>	<u>-</u>	<u>1,437,927</u>
Supporting services:				
Fund raising	578,306			578,306
Management and general	<u>322,429</u>			<u>322,429</u>
 Total supporting services	<u>900,735</u>	<u>-</u>	<u>-</u>	<u>900,735</u>
 Total expenses	<u>2,338,662</u>	<u>-</u>	<u>-</u>	<u>2,338,662</u>
 Change In Net Assets	<u>569,095</u>	<u>(89,563)</u>	<u>-</u>	<u>479,532</u>
 Net Assets				
Beginning of year (as restated)	<u>1,049,206</u>	<u>897,824</u>	<u>\$ 97,210</u>	<u>2,044,240</u>
 End of year	<u>\$ 1,618,301</u>	<u>\$ 808,261</u>	<u>\$ 97,210</u>	<u>\$ 2,523,772</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

	<u>Program Services</u>		<u>Support Services</u>		
	<u>Outreach/ Education</u>	<u>Scientific / Research / Habitat</u>	<u>Fund - Raising</u>	<u>Management and General</u>	<u>Totals</u>
Personnel:					
Salaries	\$ 111,108	\$ 337,419	\$ 105,215	\$ 133,148	\$ 686,890
Fringe benefits and payroll taxes	21,012	74,214	26,031	23,707	144,964
Fundraising events:					
Back to the Beach	-	-	105,596	-	105,596
Back to the Beach Patron Party	-	-	6,169	-	6,169
Beach Sweep	-	-	4,420	-	4,420
Golf tournament	-	-	8,428	-	8,428
North Shore party	-	-	10,570	-	10,570
Rodeo	-	-	3,907	-	3,907
Operating:					
Bank charges	-	-	-	1,032	1,032
Computer maintenance	9,535	15,992	2,783	7,334	35,644
Contract employees	-	127,548	-	-	127,548
Dues and subscriptions	138	552	196	264	1,150
Insurance	2,101	9,001	464	1,860	13,426
Laboratory fees	-	88,736	-	-	88,736
Lighthouse	26,567	-	12,407	28,450	67,424
Mandeville Wetlands Summer Camp	18,065	-	-	-	18,065
Miscellaneous expense	632	102	2,581	4,392	7,707
Outside professional services	8,822	68,332	2,255	57,588	136,997
Parking	1,863	3,337	602	1,533	7,335
Printing and postage	10,083	14,261	5,904	3,787	34,035
Recreation map	-	1,415	-	-	1,415
Rent	16,143	33,709	3,993	12,064	65,909
Research and study	-	195,277	-	-	195,277
Seminars and conferences	214	3,702	320	206	4,442
Supplies and equipment	7,653	25,392	1,124	2,929	37,098
Taxes and licenses	-	-	-	2,286	2,286
Telephone and internet	5,655	11,248	1,981	4,811	23,695
Travel	2,183	29,239	-	2,232	33,654
Vehicle and boat maintenance	23	9,242	33	100	9,398
Total expenses before depreciation and in-kind donations	241,797	1,048,718	304,979	287,723	1,883,217
Depreciation and amortization	9,667	14,256	925	1,251	26,099
In-kind donations	51,958	71,531	272,402	33,455	429,346
Total expenses	<u>\$ 303,422</u>	<u>\$ 1,134,505</u>	<u>\$ 578,306</u>	<u>\$ 322,429</u>	<u>\$ 2,338,662</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

Cash Flows From Operating Activities:

Change in net assets	\$ 479,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	26,099
Donation of property	(44,398)
Gain on sale of investments	(11,729)
Unrealized gain on investments	(22,066)
Increase in operating assets:	
Grant receivable	(143,137)
Pledge receivable	(248,707)
Prepaid expenses	(10,492)
Increase in operating liabilities:	
Accounts payable and other liabilities	4,617
Net cash provided by operating activities	<u>29,719</u>

Cash Flows From Investing Activities:

Purchase of investments	(18,545)
Proceeds from sale of investments	99,939
Purchase of property and equipment	<u>(544,051)</u>
Net cash used in investing activities	<u>(462,657)</u>

Net Decrease in Cash and Cash Equivalents (432,938)

Cash and Cash Equivalents

Beginning of year	<u>1,214,329</u>
End of year	<u><u>\$ 781,391</u></u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

December 31, 2012

Note 1 - NATURE OF ACTIVITIES

Lake Pontchartrain Basin Foundation (the "Foundation") is a non-profit, publicly supported organization. It was established and incorporated September 19, 1989 by Act 716 of the 1989 Louisiana Legislature for the purpose of the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain Basin.

The Foundation has established goals of attaining improved water quality standards of Lake Pontchartrain and its major tributaries, and the protection and restoration of the Lake Pontchartrain Basin's natural resources including its coast. The Foundation assists and coordinates efforts with Federal, state, and local agencies to clean up and restore the Lake Pontchartrain Basin. The Foundation also undertakes programs and funds research in areas such as municipal runoff, sewage systems, industrial discharge, agricultural discharge, saltwater intrusion, erosion, and habitat restoration.

Effective January 20, 1998, Save Our Lake Endowment (the "Endowment") was established to operate as a 501(c)(3) organization whose mission is to financially support the Lake Pontchartrain Basin Foundation and its continuing efforts to restore and maintain Lake Pontchartrain.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

The Foundation is a nonprofit corporation organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code ("IRC"), and qualifies as a foundation that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes (Continued)

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of December 31, 2012, Lake Pontchartrain Basin Foundation and Save Our Lake Endowment (the "Organization") believes that there are no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended December 31, 2009 and later remain subject to examination by the taxing authorities.

b. Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when the related liability is incurred.

c. Basis of Presentation

The Organization reports information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, based on donor stipulations and restrictions placed on contributions, if any. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related cash and investments for general or specific purposes.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Principles of Consolidation

The accompanying consolidated financial statements show the combined assets, liabilities, and transactions of the Foundation and Endowment. All intercompany transactions and resulting balances have been eliminated in the consolidated financial statements.

e. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

f. Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

g. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and writes off all balances deemed uncollectible. Management believes all outstanding balances as of December 31, 2012 to be fully collectible.

The Organization provides for estimated uncollectible accounts receivable on a specific account basis as determined by management. The allowance for doubtful accounts was \$3,182 as of December 31, 2012.

h. Pledge Receivables

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises of donors to make contributions to the Organization are included in the consolidated financial statements as pledge receivables. Unconditional promises to give as of December 31, 2012 totaled \$272,325, see Note 8.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Pledge Receivables (Continued)

Management believes that all outstanding pledge receivables as of December 31, 2012 are fully collectible. There are no conditional promises to give as of December 31, 2012.

i. Contributions and Revenue Recognition

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Other sources of revenue include grants, contracts, sales of merchandise and fund raising events.

j. Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Consolidated Statement of Financial Position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Consolidated Statement of Activities as increases or decreases in unrestricted net assets unless the income is restricted by donor or law.

k. Property and Equipment

Property and equipment is recorded at cost when purchased and at fair market value when received as a donation. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures improvements, renewals, and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Property and Equipment (Continued)

Estimated useful lives of property and equipment range from 3 to 40 years. The cost and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is recorded in the change in net assets.

l. Allocated Expenses

The costs of providing the programs and other activities are summarized in the Consolidated Statement of Functional Expenses. Certain expenses have been allocated among the programs and supporting services based on management's estimates of the costs involved.

m. Compensated Absences

The Organization currently employs a compensated absences policy to which employees earn an escalating number of paid compensation hours each year based on the length of service provided to the Organization. Employees may carry over and accumulate annual leave time up to a maximum of 240 hours without forfeiture.

As of December 31, 2012, employees of the Organization had accumulated \$76,577 of employee leave benefits. These amounts are included on the Consolidated Statement of Financial Position in accounts payable and other liabilities.

n. Subsequent Events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that effect the consolidated financial statements. Subsequent events have been evaluated through May 8, 2013, which is the date the consolidated financial statements were available to be issued.

Note 3 - RESTATEMENT

During 2012, it was determined that the Save Our Lake Endowment should be consolidated with Lake Pontchartrain Basin Foundation for reporting purposes. The following table presents this correction effective as of December 31, 2011.

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Permanently Restricted Net Assets</u>	<u>Total Net Assets</u>
Net assets as of December 31, 2011, as previously reported	\$ 1,018,981	\$ 897,824	\$ 2,500	\$ 1,919,305
Prior period adjustment: Save Our Lake Endowment	<u>30,225</u>	<u>-</u>	<u>94,710</u>	<u>124,935</u>
Net assets as of December 31, 2011, as restated	<u>\$ 1,049,206</u>	<u>\$ 897,824</u>	<u>\$ 97,210</u>	<u>\$ 2,044,240</u>

Note 4 - CASH RESTRICTED FOR PROGRAM AND CAPITAL EXPENDITURES

In accordance with Environmental Protection Agency grant agreements, the Foundation is required to maintain separate checking accounts for which the use is restricted to the purpose of the grant. The Foundation has also restricted funds to be used to fund the Lighthouse renovation and construction project (the "Lighthouse Project"). As of December 31, 2012, \$132,023 was restricted for the Lighthouse Project, and \$380,177 was restricted for program expenditures.

Note 5 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts at several local financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 as of December 31, 2012. The Organization also has cash equivalent accounts with a brokerage firm. The Securities Investor Protection Corporation insures these accounts up to \$250,000. Uninsured or non-guaranteed cash and cash equivalent balances are approximately \$154,500 as of December 31, 2012.

Note 6 - INVESTMENTS

The Organization's investments as of December 31, 2012 are summarized below:

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Mutual funds	\$ 420,006	\$ 451,416	\$ 31,410
Pooled investment accounts	<u>18,701</u>	<u>19,237</u>	<u>536</u>
Totals	<u>\$ 438,707</u>	<u>\$ 470,653</u>	<u>\$ 31,946</u>

	<u>Cost</u>	<u>Market Value</u>	<u>Excess of Market Over Cost</u>
Balances as of December 31, 2012	<u>\$ 438,707</u>	<u>\$ 470,653</u>	\$ 31,946
Balances as of December 31, 2011	<u>\$ 508,372</u>	<u>\$ 518,252</u>	<u>9,880</u>
Increase in unrealized appreciation			<u>\$ 22,066</u>

Investment return for the year ended December 31, 2012 is summarized as follows:

Interest	\$ 1,552
Dividends	8,229
Realized gain	11,729
Unrealized gain	22,066
Investment expenses	<u>(131)</u>
Total investment income	<u>\$ 43,445</u>

Note 7 - ASSETS MEASURED AT FAIR VALUE

Fair value concepts are applied in recording investments. A fair value hierarchy which has three levels based on the reliability of the inputs is used to determine fair value. These levels include: Level 1, unadjusted quoted prices in active markets for identical assets or liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization uses the market approach for valuing mutual fund accounts which are within the Level 1 fair value hierarchy.

The investment pool is included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian of this portfolio uses independent pricing services, where available, to value the securities included in this portfolio. If an independent pricing service does not value a securities or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote from a secondary pricing source, which may include third party brokers, investment advisors, and the principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 - ASSETS MEASURED AT FAIR VALUE (Continued)

Assets measured at fair value on a recurring basis as of December 31, 2012 are comprised of and determined as follows:

Description	Total Assets Measured at Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
World Allocation	\$ 100,360	\$ 100,360		
High Yield Bond Fund	58,472	58,472		
Intermediate Term Bond Fund	165,277	165,277		
Short Term Bond Fund Index	117,287	117,287		
Conservative Allocation	10,020	10,020		
Pooled investment accounts	19,237		19,237	
Totals	<u>\$ 470,653</u>	<u>\$ 451,416</u>	<u>\$ 19,237</u>	<u>\$ -</u>

As of December 31, 2012, pooled investment accounts were determined to be Level 2 investments, rather than Level 1 investments based upon information received from the investment custodian.

As of December 31, 2012, there were no assets measured at fair value on a non-recurring basis.

Note 8 - PLEDGES RECEIVABLE

Promises of donors to make contributions to the Organization are included in the consolidated financial statements as pledges receivable and temporarily restricted Lighthouse income after discounting projected future cash flows to the present value using a discount rate of 5%.

Note 8 - PLEDGES RECEIVABLE (Continued)

Pledges receivable as of December 31, 2012 are as follows:

Pledges receivable	\$ 300,000
Less:	
Unamortized discount	(27,675)
Allowance for uncollectible pledges	<u>-</u>
 Totals	 <u><u>\$ 272,325</u></u>
 Amounts in:	
Less than one year	\$ 100,000
One to five years	<u>200,000</u>
	 <u><u>\$ 300,000</u></u>

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2012 is as follows:

Computer equipment	\$ 92,735
Furniture and fixtures	11,063
Boat and other program equipment	213,628
Leasehold improvements	175,836
Construction in progress	<u>800,985</u>
	1,294,247
Accumulated depreciation	<u>(251,820)</u>
 Totals	 <u><u>\$ 1,042,427</u></u>

Depreciation and amortization expense for the year ended December 31, 2012 was \$26,099.

Note 10 - ENDOWMENT FUND

The Endowments. The Organization's Endowment Fund was established primarily for the purpose of maintaining the operations of the Organization and consists of donor restricted funds.

Note 10 - ENDOWMENT FUND (Continued)

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as permanently restricted net assets:

- the original value of gifts donated to the permanent endowment
- the original value of subsequent gifts to the permanent endowment, and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for the expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition as of December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,210</u>	<u>\$ 97,210</u>

Note 10 - ENDOWMENT FUND (Continued)

Changes in Endowment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Net assets, Beginning of year	\$ -	\$ -	\$ 97,210	\$ 97,210
Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,210</u>	<u>\$ 97,210</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UPMIFA required the Organization to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations. There were no such deficiencies as of December 31, 2012.

Return Objectives and Risk Parameters. The endowment is invested with the intention of obtaining general market returns with a minimum amount of investment and management expenses.

Strategies Employed for Achieving Objectives. The investment funds are invested in a savings account as of December 31, 2012 to minimize risk. In 2013 the Endowment Committee will address investment policy and options to invest with the intention of obtaining general market returns with a minimum amount of investment and management expenses.

Spending Policy and How Investment Objectives Relate to the Spending Policy. The full amount of the endowment was received from various donors who stipulated that the corpus be maintained in perpetuity and the income from the Endowment be used for the restoration and preservation of the environmental and ecological balance of the Lake Pontchartrain.

Note 11 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of grant funding received in advance, net of the related expenditures associated with the grant, Lighthouse contributions, and other contributions. These restrictions are considered to expire when payments for restricted purposes are made.

Note 11 - RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net assets as of December 31, 2012 are as follows:

Lighthouse	\$ 364,255
Entergy Oyster Reef	86,111
Environmental Defense Fund	79,563
McKnight	60,436
National Wildlife Federation	50,000
National Audubon Society	39,324
Surdna Foundation	28,769
Kresge	17,135
Artificial Reef Program	15,870
Sewerage and Water Board of New Orleans	10,894
School of Fish Program	10,020
Mandeville Wetland Education	15,915
Merck	8,000
Other projects	<u>21,969</u>
Total	<u><u>\$ 808,261</u></u>

Permanently restricted net assets as of December 31, 2012 are as follows:

Save Our Lake Endowment	\$ 94,710
Greater New Orleans Foundation Original Investment Account	<u>2,500</u>
	<u><u>\$ 97,210</u></u>

Note 12 - PENSION PLAN

The Organization sponsors a 401(k) plan covering all employees who have completed a minimum of one year of service. Eligible plan participants may contribute to the plan and the Organization may make matching contributions on behalf of participants of up to 5% of employee contributions. The Organization's contributions to the plan totaled \$10,513 for the year ended December 31, 2012.

Note 13 - OPERATING LEASES

The Organization leases office space from the University of New Orleans Research and Technology Foundation, Inc. The lease term commenced on December 1, 2010 and was extended on June 1, 2011 with an expiration date of May 31, 2012. The lease was then subsequently extended from June 1, 2012 through May 31, 2013 for additional space. Monthly lease payments were \$490 for the lease term June 1, 2011 through March 31, 2012, \$719 for the lease term April 1, 2012 through May 31, 2012, and \$887 for the lease term June 1, 2012 through May 31, 2013. Rent expense under this lease agreement was approximately \$9,100 for the year ended December 31, 2012. Minimum future lease payments required under the operating lease agreement in effect as of December 31, 2012 totaled \$4,435 for the year ending December 31, 2013. Effective February 1, 2013, the lease was amended as a result of the rental of additional square footage. The new lease term is for the period February 1, 2013 through May 31, 2013. Monthly lease payments are \$4,538.

The Organization leased office space on a month-to-month basis in which it receives an in-kind donation for a portion of the rent (see Note 14). The value of the monthly lease payment for 2012 was \$4,538. Rent expense under the lease was \$54,456 for the year ended December 31, 2012. The Organization paid \$2,371 per month under this lease. This lease was terminated in February 2013.

In February 2012, the Organization entered into an agreement to lease land for the Lighthouse Project. The agreement is for a primary term of five years with eleven additional five year options to renew, with a maximum term of up to 60 years which may be extended by mutual agreement. The rent for the initial five year term is \$500, and shall be increased by 15% for each five year extension of the lease.

Note 14 - IN-KIND DONATIONS

The Organization records the value of in-kind donations when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which would typically need to be purchased if not provided by donation.

Note 14 - IN-KIND DONATIONS (Continued)

The fair values of in-kind donations and donated Lighthouse property for the year ended December 31, 2012 are as follows:

Donated services	\$ 394,904
Office space	26,004
Use of land	<u>8,438</u>
Total in-kind donations	<u>429,346</u>
Donated Lighthouse property	<u>44,398</u>
Total	<u>\$ 473,744</u>

The Organization received donated use of office space, parking, and utilities which are recorded in the accompanying Consolidated Statement of Activities as donated rent. For the year ended December 31, 2012, the value of the donated use of office space was \$26,004. This lease agreement is on a month-to-month basis (see Note 13).

The Organization also received donated use of land for its auxiliary building and the Lighthouse Project. For the year ended December 31, 2012, the value of the donated use of land was \$8,438.

Some volunteers donate their time in the Organization's program activities; these services are not recorded if these individuals do not have specialized skills.

Note 15 - RISKS AND UNCERTAINTIES

Investments in various securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Organization.

Note 16 - ECONOMIC DEPENDENCY

The Organization has a significant amount of revenue received from the Environmental Protection Agency. In 2012, 36% of the Organization's total support and revenue before donated services and property was derived from Environmental Protection Agency grants.

Note 17 - COMMITMENTS

On July 12, 2011, the Organization entered into a contract of approximately \$440,000, with an additional change order of approximately \$148,000 for the design, renovation, and construction of the Lighthouse. As of December 31, 2012, the Organization had incurred construction expenses totaling approximately \$497,000, which are included in property and equipment on the Consolidated Statement of Financial Position as construction in progress.

Note 18 - SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes the non-cash operating and investing transactions of the Organization:

Accounts payable for property and equipment purchases	<u>\$ 74,679</u>
--	------------------

SUPPLEMENTARY INFORMATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

December 31, 2012

	Lake Basin Pontchartrain Foundation	Save Our Lake Endowment	Eliminations	Totals
Assets				
Cash and cash equivalents	\$ 144,954	\$ 124,237	\$ -	\$ 269,191
Cash restricted for program expenditures	512,200			512,200
Investments	470,653			470,653
Grant receivables	232,883			232,883
Pledge receivables	272,325			272,325
Prepaid expenses	10,492			10,492
Property and equipment, net of accumulated depreciation	1,042,427			1,042,427
Total assets	<u>\$ 2,685,934</u>	<u>\$ 124,237</u>	<u>\$ -</u>	<u>\$ 2,810,171</u>
Liabilities				
Accounts payable and other liabilities	<u>\$ 286,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>286,399</u>
Net Assets				
Unrestricted	1,588,774	29,527		1,618,301
Temporarily restricted	808,261	-		808,261
Permanently restricted	<u>2,500</u>	<u>94,710</u>		<u>97,210</u>
Total net assets	<u>2,399,535</u>	<u>124,237</u>	<u>-</u>	<u>2,523,772</u>
Total liabilities and net assets	<u>\$ 2,685,934</u>	<u>\$ 124,237</u>	<u>\$ -</u>	<u>\$ 2,810,171</u>

CONSOLIDATING STATEMENT OF ACTIVITIES**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

	<u>Lake Pontchartrain Basin Foundation</u>	<u>Save Our Lake Endowment</u>	<u>Eliminations</u>	<u>Totals</u>
Changes in Unrestricted Net Assets				
Support and Revenues				
Contracts - Federal:				
Department of Environmental Quality	\$ 95,435			\$ 95,435
Department of Health and Hospitals	7,336			7,336
Contracts - Local Government:				
Sewerage and Water Board of New Orleans	2,026			2,026
Grants - Federal:				
Environmental Protection Agency:				
Department of Environmental Quality	160,112			160,112
Gulf of Mexico	90,965			90,965
Lake Pontchartrain Basin Restoration Program	585,594			585,594
Grants - Non-Federal:				
Mandeville Wetlands	1,777			1,777
Grants - Coastal:				
Environmental Defense Fund	45,437			45,437
Kresge	57,865			57,865
McKnight	49,564			49,564
National Audubon Society	34,876			34,876
Surdna Foundation	4,981			4,981
Other	2,921			2,921
Fundraising:				
Donations	72,754			72,754
Lighthouse income	170,485			170,485
Membership sales	21,174			21,174
Special events	267,236			267,236
Other Income:				
Investment income	42,894	\$ 502		43,396
Miscellaneous income	712			712
Recreation maps/Artificial Reef Program	1,414			1,414
	<u>1,715,558</u>	<u>502</u>	<u>-</u>	<u>1,716,060</u>
Net assets released from restrictions	717,953	-	-	717,953
Total unrestricted support and revenues before donated services	<u>2,433,511</u>	<u>502</u>	<u>-</u>	<u>2,434,013</u>
Donated Lighthouse property	44,398			44,398
Donated services - promotion / advertising	311,252			311,252
Donated services - IT / rent	42,001			42,001
Donated services - professional services	4,562			4,562
Donated services - laboratory fees	71,531	-	-	71,531
Total donated services	<u>473,744</u>	<u>-</u>	<u>-</u>	<u>473,744</u>
Total unrestricted support and revenues	<u>2,907,255</u>	<u>-</u>	<u>-</u>	<u>2,907,255</u>

**Schedule 2
(Continued)**

	<u>Lake Pontchartrain Basin Foundation</u>	<u>Save Our Lake Endowment</u>	<u>Eliminations</u>	<u>Totals</u>
Expenses:				
Program services:				
Outreach / education	303,422			303,422
Scientific / research / habitat	1,134,505			1,134,505
Total program services	<u>1,437,927</u>	<u>-</u>	<u>-</u>	<u>1,437,927</u>
Supporting services:				
Fund raising	578,306			578,306
Management and general	321,229	1,200		322,429
Total supporting services	<u>899,535</u>	<u>1,200</u>	<u>-</u>	<u>900,735</u>
Total expenses	<u>2,337,462</u>	<u>1,200</u>	<u>-</u>	<u>2,338,662</u>
Change in unrestricted net assets	<u>569,793</u>	<u>(698)</u>	<u>-</u>	<u>569,095</u>
Changes in Temporarily Restricted Net Assets				
Support:				
Contracts - Federal	3,384			3,384
Contracts - Local Government	10,894			10,894
Grants - Non-Federal	15,915			15,915
Grants - Coastal	233,503			233,503
Fundraising	358,154			358,154
Other Income	6,540			6,540
Total support	<u>628,390</u>	<u>-</u>	<u>-</u>	<u>628,390</u>
Net assets released from restrictions	<u>(717,953)</u>	<u>-</u>	<u>-</u>	<u>(717,953)</u>
Change in temporarily restricted net assets	<u>(89,563)</u>	<u>-</u>	<u>-</u>	<u>(89,563)</u>
Change in Permanently Restricted Net Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>480,230</u>	<u>(698)</u>		<u>479,532</u>
Net Assets				
Beginning of year (as restated)	<u>1,919,305</u>	<u>124,935</u>	<u>-</u>	<u>2,044,240</u>
End of year	<u>\$ 2,399,535</u>	<u>\$ 124,237</u>	<u>\$ -</u>	<u>\$ 2,523,772</u>

**SCHEDULE OF REVENUES, SUPPORT,
AND EXPENSES - ACTUAL TO BUDGET**

**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues and Support			
Contracts - Federal:			
Department of Environmental Quality	\$ 98,819	\$ 192,002	\$ (93,183)
Department of Health and Hospitals Contract	7,336	9,000	(1,664)
Contracts - Local Government:			
Sewerage and Water Board of New Orleans	12,920	-	12,920
Grants - Federal:			
Environmental Protection Agency:			
Department of Environmental Quality	160,112	136,004	24,108
Gulf of Mexico	90,965	101,663	(10,698)
Pontchartrain Basin Restoration Program	585,594	683,873	(98,279)
Grants - Non-Federal:			
Mandeville Wetlands	17,692	16,000	1,692
Grants - Coastal:			
Environmental Defense Fund	125,000	125,000	-
Kresge	75,000	80,000	(5,000)
McKnight	110,000	120,000	(10,000)
Merk	8,000	-	8,000
National Audubon Society	74,200	12,500	61,700
Surdna Foundation	33,750	-	33,750
Other	3,197	29,600	(26,403)
Fundraising:			
Donations	72,754	60,000	12,754
Lighthouse income	528,639	40,582	488,057
Membership sales	21,174	27,000	(5,826)
Special events	267,236	288,000	(20,764)
Other Income:			
Investment income	43,445	14,309	29,136
Miscellaneous income	712	850	(138)
Recreation maps / Artificial Reef Program	7,905	10,000	(2,095)
 Total revenue and support before donated services	 2,344,450	 1,946,383	 398,067
 Donated services	 473,744	 -	 473,744
 Total revenues and support	 2,818,194	 1,946,383	 871,811

**Schedule 3
(Continued)**

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenses			
Program services:			
Outreach / education	303,422	781,491	478,069
Scientific / research / habitat	<u>1,134,505</u>	<u>1,199,833</u>	<u>65,328</u>
Total program services	<u>1,437,927</u>	<u>1,981,324</u>	<u>543,397</u>
Supporting services:			
Fund raising	305,904	308,627	2,723
Donated services - fundraising	272,402	-	(272,402)
Management and general	<u>322,429</u>	<u>317,845</u>	<u>(4,584)</u>
Total supporting services	<u>900,735</u>	<u>626,472</u>	<u>(274,263)</u>
Total expenses	<u>2,338,662</u>	<u>2,607,796</u>	<u>269,134</u>
Change In Net Assets	<u>\$ 479,532</u>	<u>\$ (661,413)</u>	<u>\$ 1,140,945</u>

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment,
Metairie, Louisiana.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Lake Pontchartrain Basin Foundation and Save Our Lake Endowment, as of and for the year ended December 31, 2012, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
May 8, 2013.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors,
Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment,
Metairie, Louisiana.

Report on Compliance for Each Major Federal Program

We have audited Lake Pontchartrain Basin Foundation and Save Our Lake Endowment's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2012. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of the major federal program. However, our audit does not provide a legal determination of the Organization's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance to test and report on internal control over compliance in accordance with OMB Circular-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing are based on the requirements of OMB circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bougeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, Louisiana,
May 8, 2013.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Lake Pontchartrain Basin Foundation and Save Our Lake Endowment

For the year ended December 31, 2012

<u>Federal Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Environmental Protection Agency:		
<u>Pass-Through Program From:</u>		
<u>University of New Orleans</u>		
Lake Pontchartrain Basin Restoration Program	66.125	\$ 585,594
Gulf of Mexico Program	66.475	90,965
<u>Pass-Through Program From:</u>		
<u>State of Louisiana Department of Environmental Quality</u>		
Nonpoint Source Implementation Grant		
Water Quality Monitoring	66.460	<u>160,112</u>
Total United States Environmental Protection Agency		<u>\$ 836,671</u>

See notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Lake Pontchartrain Basin Foundation and Save Our Lake Endowment

For the year ended December 31, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Lake Pontchartrain Basin Foundation and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Organization has met the cost reimbursement of funding qualifications for the respective grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

b. Payments to Subrecipients

There were no payments to subrecipients for the year ended December 31, 2012.

Note 2 - FINDINGS OF NONCOMPLIANCE

There are no findings of noncompliance disclosed in the accompanying Schedule of Findings and Questioned Costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lake Pontchartrain Basin Foundation and Save Our Lake Endowment

For the year ended December 31, 2012

Section I - Summary of Auditor's Report

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency (ies) identified ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ☐ yes ☒ no

c) Identification of Major Programs:

Pass-Through Program From:
University of New Orleans
Lake Pontchartrain Basin Restoration Program

(Continued)

Section I - Summary of Auditor's Report (Continued)

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements**

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2012
related to internal control over financial reporting.

Compliance and other Matters

There were no findings noted during the audit for the year ended December 31, 2012
related to compliance and other matters.

Section III - Internal Control and Compliance Material to Federal Awards

Internal Control/Compliance

There were no findings noted during the audit for the year ended December 31, 2012
related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

**SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS**

**Lake Pontchartrain Basin Foundation
and Save Our Lake Endowment**

For the year ended December 31, 2012

**Section I - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Financial Statements**

Internal Control Over Financial Reporting

11-01 Preparation of Financial Statements and Disclosures

Recommendation - Management and those charged with governance can mitigate the lack of expertise in preparing year end financial statements by carefully reviewing the financial statements, including disclosures.

Current Status - Resolved. Management has hired accounting staff that has the experience in analyzing consolidated financial statements and the related footnote disclosures.

11-02 Internal Control Structure

Recommendation - The Foundation should design a system of controls to address the lack of segregation of duties. Such controls should include obtaining the Executive Director's or others in charge of governance's approval of bank reconciliations and payroll registers.

Current Status - Resolved. Management has instituted a system of controls which address the lack of segregation of duties which was previously present.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2011 related to compliance and other matters.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2011.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Lake Pontchartrain Basin Foundation and Save Our Lake Endowment

For the year ended December 31, 2012

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2012 related to the internal control over financial reporting.

Compliance and Other Matters

There were no compliance findings material to the consolidated financial statements were noted during the audit for the year ended December 31, 2012 related to compliance and other matters.

Section II - Internal Control and Compliance Material To Federal Awards

There were no findings noted during the audit for the year ended December 31, 2012 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2012.